



# Illinois Department of Insurance

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PAT QUINN  
Governor

ANDREW BORON  
Director

August 5, 2013

Via Email and Certified Mail

\*Return receipt requested

Rachel M. Pattison  
Associate Counsel  
Commercial Markets Claim Compliance  
The Hartford Financial Services Group, Inc.  
Law Department, Mailstop T-9-106  
One Hartford Plaza  
Hartford, CT 06155

## **RE: Market Conduct Examination of the Hartford Companies**

Dear Ms. Pattison:

Please find enclosed a revised report of the Market Conduct Examination of the Hartford Companies with August 1, 2010 through July 31, 2011 being the period covered by the examination and revised proposed Stipulation and Consent Order. The Department has considered Hartford Companies' response as it regards seven files in the Homeowners Nonrenewals Survey and has determined that the seven files shall remain criticized and the class criticism issued under 215 ILCS 5/143.27 shall remain in this survey. This Section requires that a policyholder be provided a notice of a need to repair defects in insured property or relevant portion thereof and a reasonable time to repair prior to the issuance of a nonrenewal notice whenever a needed repair, defect, or a rehabilitation matter is referenced. This Section does not limit itself in application to defects due to prior losses. The Department does not find the correspondence included in the seven files referenced by the Hartford Companies constitutes a notice of a need to repair defects because the correspondence does not instruct the policyholder to repair defects. Thus, this portion of the report will remain unaltered.

Please provide any rebuttals, or the signed Stipulation and Consent Order, to the undersigned by close of business, Friday, August 16, 2013. In the event that the Hartford Companies elect to sign the Stipulation and Consent Order, please sign and return both copies.

122 S. Michigan Ave., 19<sup>th</sup> Floor  
Chicago, Illinois 60603  
(312) 814-2420  
<http://insurance.illinois.gov>

The Director will sign both copies and a fully executed copy will be returned to you for your records. Note that the Stipulation and Consent requires proof of compliance with Orders 1 through 39 and payment of a civil forfeiture in the amount of \$50,000 within 30 days of the receipt of the fully executed Stipulation and Consent Order.

Once the report of examination has been filed, the exam report, the company's rebuttal, if any, and corresponding Orders (if applicable) are public documents under the Freedom of Information Act (5 ILCS 140/1 *et al.*) and may be posted on the Department's website. In the event of a formal hearing, the record of the hearing, the Hearing Officer Recommendations and the Director's final Order are also public documents and may be posted on the Department's website. Please contact me if you have any questions. I may be reached at 312-814-5410.

Sincerely,



Anne Marie Skallerup

Assistant General Counsel

AnneMarie.Skallerup@illinois.gov

Hartford Insurance Company of Illinois  
Property & Casualty Insurance Company of Hartford  
Sentinel Insurance Company  
Trumbull Insurance Company  
Hartford Fire Insurance Company  
Hartford Underwriters Insurance Company  
Twin City Fire Insurance Company  
Hartford Casualty Insurance Company  
Hartford Accident and Indemnity Company  
Hartford Insurance Company of the Midwest

## MARKET CONDUCT EXAMINATION REPORT

DATE OF EXAMINATION: October 11, 2011 through May 11, 2012

EXAMINATION OF: Hartford Insurance Company of Illinois  
(P & C Domestic) NAIC #38288

Property & Casualty Insurance Company of Hartford  
(P & C Foreign) NAIC #34690

Sentinel Insurance Company  
(P & C Foreign) NAIC #11000

Trumbull Insurance Company  
(P & C Foreign) NAIC #27120

Hartford Fire Insurance Company  
(P & C Foreign) NAIC #19682

Hartford Underwriters Insurance Company  
(P & C Foreign) NAIC #30104

Twin City Fire Insurance Company  
(P & C Foreign) NAIC #29459

Hartford Casualty Insurance Company  
(P & C Foreign) NAIC #29424

Hartford Accident and Indemnity Company  
(P & C Foreign) NAIC #22357

Hartford Insurance Company of the Midwest  
(P & C Foreign) NAIC #37478

LOCATION OF EXAM:

200 Hopmeadow Road  
Simsbury, CT 06089

501 Pennsylvania Parkway  
Indianapolis, IN 46280

PERIOD COVERED BY  
EXAMINATION:

August 1, 2010 through July 31, 2011

EXAMINERS:

Larry J. Nelson  
Roger O. Henschen,  
Examiner-in-Charge

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## I. SUMMARY

\*All Companies examined during the course of this Examination will be collectively referred to as 'The Hartford'.

1. The Hartford was criticized under 215 ILCS 5/143.14 for failing to maintain proof of mailing of the notice of cancellation.

A General Trend Criticism was issued in the Private Passenger Auto Cancellations Survey.

2. The Hartford was criticized under 215 ILCS 5/143.19 for canceling policies which had been in effect 60 days for reasons other than permitted.

A General Trend Criticism was issued in the Private Passenger Auto Cancellations Survey.

3. The Hartford was criticized under 215 ILCS 5/143.17 for failing to maintain proof of mailing of the notice of nonrenewal and/or failing to provide a specific explanation of the reasons for nonrenewal.

A General Trend Criticism was issued in the Private Passenger Auto Nonrenewals Survey.

4. The Hartford was criticized under 215 ILCS 5/143.14 for failing to maintain proof of mailing of the notice of cancellation.

A General Trend Criticism was issued in the Homeowner Cancellations Survey.

5. The Hartford was criticized in the Homeowner Cancellation Survey under 215 ILCS 5/143.27 for failing to provide the named insured a notice of need to repair and/or a reasonable period of time in which to make repairs prior to canceling the Homeowner policy.

6. The Hartford was criticized under 215 ILCS 5/143.27 for failing to provide the named insured a notice of need to repair and/or a reasonable period of time in which to make repairs prior to nonrenewing the Homeowner policy.

A Class Criticism is applicable in the Homeowner Nonrenewals Survey.

7. The Hartford was criticized under 215 ILCS 5/143.17 for failing to maintain proof of mailing of the notice of nonrenewal and/or failing to provide the insured a specific explanation of the reasons for nonrenewal.

A General Trend Criticism was issued in the Homeowner Nonrenewals Survey.

9. The Hartford was criticized under 215 ILCS 5/143.21 for canceling policies which had been in effect 60 days or more for reasons other than permitted.
- A General Trend is applicable in the Dwelling Fire Cancellations Survey.
10. The Hartford was criticized under 215 ILCS 5/143.14 for failing to maintain proof of mailing of the notice of cancellation.
- A General Trend Criticism was issued in the Dwelling Fire Cancellations Survey.
11. The Hartford was criticized in the Dwelling Fire Nonrenewals Survey under 215 ILCS 5/143.27 for failing to provide the named insured a notice of need to repair and/or a reasonable period of time in which to make repairs prior to nonrenewing the Dwelling Fire policy.
12. The Hartford was criticized under 215 ILCS 5/143.21.1 for nonrenewing policies which had been effective or renewed five (5) or more years for reasons other than permitted or failing to provide 60 days notice.
- A General Trend is applicable in the Dwelling Fire Nonrenewals Survey.
13. The Hartford was criticized under 215 ILCS 5/143.17 for failing to maintain proof of mailing of the notice of nonrenewal.
- A General Trend Criticism was issued in the Dwelling Fire Nonrenewals Survey.
14. The Hartford was criticized under 215 ILCS 5/141.02(3) for terminating the producer with no proof of mailing of the notice of termination or no mutually signed agreement.
- A Class Criticism is applicable in the Producer Terminations Survey.
15. The Hartford was criticized under 50 Ill. Adm. Code 754.10 for failing to follow the rules filed with the Illinois Department of Insurance creating three (3) overcharges totaling \$45.00 annually and two (2) undercharges totaling \$169.00 annually. The criticism was issued in the AARP private passenger automobile new business survey. The overcharges were refunded.
16. The Hartford was criticized under 50 Ill. Adm. Code 754.10 for failing to follow the rules filed with the Illinois Department of Insurance creating nine (9) overcharges totaling \$13.00 annually and 15 undercharges totaling \$831.00 annually. The overcharges were refunded.
- A General Trend Criticism was issued in the non-AARP Private Passenger Automobile New Business Survey.

17. The Hartford was criticized under 215 ILCS 5/132(2) for failing to provide applications as requested. Independent agents are charged with maintaining applications (both AARP and non-AARP).

A General Trend Criticism was issued in the Homeowner New Business Survey.

18. The Hartford was criticized under 215 ILCS 5/805.1 for failing to provide mine subsidence coverage in those counties requiring the coverage unless waived in writing. Failure to provide that coverage created two (2) undercharges totaling \$187.00 in the Homeowner New Business Survey.
19. The Hartford was criticized under 50 Ill. Adm. Code 754.10 for failing to follow the rules filed with the Illinois Department of Insurance creating three (3) overcharges totaling \$33.00 annually and two (2) undercharges totaling \$267.00 annually. The criticism was issued in the AARP homeowner new business survey. The overcharges were refunded.
20. The Hartford was criticized under 50 Ill. Adm. Code 754.10 for failing to follow the rules filed with the Illinois Department of Insurance creating six (6) overcharges totaling \$369.00 annually and two (2) undercharges totaling \$27.00 annually. The overcharges were refunded. The criticism was issued in the non-AARP Homeowner New Business Survey.
21. The Hartford was criticized under 215 ILCS 5/805.1 for failing to provide mine subsidence coverage in those counties requiring the coverage unless waived in writing by the insured. Failure to provide that coverage created six (6) undercharges totaling \$365.00.

A General Trend Criticism was issued in the AARP dwelling fire new business survey and the non-AARP Dwelling Fire New Business Survey.

22. The Hartford was criticized under 50 Ill. Adm. Code 754.10 for failing to follow the rules filed with the Illinois Department of Insurance creating four (4) overcharges totaling \$4.00 annually and six (6) undercharges totaling \$6.00 annually.

A General Trend Criticism was issued in the AARP Dwelling Fire New Business Survey.

23. The Hartford was criticized under 50 Ill. Adm. Code 753.10 for failing to file an endorsement used.
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A Class Criticism was issued in the non-AARP Dwelling Fire New Business Survey.



24. The Hartford was criticized under 50 Ill. Adm. Code 754.10 for failing to follow the rules filed with the Illinois Department of Insurance creating undetermined overcharges and undercharges.
- A Class Criticism was issued in the non-AARP Dwelling Fire New Business Survey.
25. The Hartford was criticized under 215 ILCS 5/132(2) for failing to provide applications as requested. Independent agents are charged with maintaining applications.
- A General Trend Criticism was issued in the non-AARP Dwelling Fire New Business Survey.
26. The Hartford was criticized in the Private Passenger Auto First Party Closed Without Payment Survey under 50 Ill. Adm. Code 919.50(a)(1) for failing to include the Availability of the Department of Insurance on the denial letter provided the insured.
27. The Hartford was criticized under 50 Ill. Adm. Code 919.80(b)(2) for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved in excess of 40 calendar days or the explanation failed to be reasonable, timely, or include the Availability of the Department of Insurance.
- A General Trend Criticism is applicable in the Private Passenger Auto First Party Closed Without Payment Survey.
29. The Hartford was criticized under 50 Ill. Adm. Code 919.80(b)(3) for failing to provide the third party with a reasonable written explanation for the delay when the claim remained unresolved for more than 60 days.
- A General Trend Criticism is applicable in the Private Passenger Auto Third Party Median & Paid Survey.
30. The Hartford was criticized under 50 Ill. Adm. Code 919.50(a)(2) for failing to provide an explanation that was reasonable in the denial letter provided the third party.
- A General Trend is applicable in the Private Passenger Auto Third Party Closed Without Payment Survey.
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31. The Hartford was criticized under 50 Ill. Adm. Code 919.80(b)(3) when the claim remained unresolved for more than 60 days for failing to provide the third party with a reasonable written explanation for the delay, the explanation was sent late, or the Availability of the Department of insurance was not included.

A General Trend is applicable in the Private Passenger Auto Third Party Closed Without Payment Survey.

32. The Hartford was criticized under 215 ILCS 5/154.6(c) and as defined in 50 Ill. Adm. Code 919.40 when failing to make a bonafide effort to contact a third party when liability was reasonably clear. The company reopened the file and made contact with the third party resulting in a payment of \$14,015.35 to the third party.

33. The Hartford was criticized under 50 Ill. Adm. Code 919.80(c) for failing to provide the required minimum information in the Exhibit A provided to insureds who had experienced a total loss. The correction was made during the examination.

A Class Criticism was issued in the Private Passenger Auto Total Loss – First Party Survey.

34. The Hartford was criticized under 50 Ill. Adm. Code 919.80(c)(3)(A)(i) for failing to reimburse the applicable transfer and/or title fees for the replacement vehicle resulting in 24 overpayments totaling \$2,763.84 and two (2) underpayments totaling \$136.40. Reimbursements have been made for the underpayments.

A Class Criticism was issued in the Private Passenger Auto Total Loss – First Party Survey.

35. The Hartford was criticized under 50 Ill. Adm. Code 919.80(b)(2) for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved in excess of 40 calendar days or the explanation failed to be reasonable.

A General Trend is applicable in the Private Passenger Auto Total Loss – First Party Survey.

36. The Hartford was criticized under 50 Ill. Adm. Code 919.30(c) for failing to have documentation (bill of sale and/or information on taxes/fees) of the replacement vehicle purchased by the insured.

A General Trend Criticism was issued in the Private Passenger Auto Total Loss - First Party Survey.

37. The Hartford was criticized for making two (2) claim overpayments totaling \$44.50.
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38. The Private Passenger Auto First Party payment median was five (5) days. The Private Passenger Auto Third Party median payment was 17 days with arbitration, subrogation and litigation files included, and 12 days when excluded.

39. The Hartford was criticized under 50 Ill. Adm. Code 919.80(d)(7)(B) for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved in excess of 75 calendar days from the date the loss was reported.

A General Trend Criticism is applicable in the Homeowner Median & Paid Survey.

40. The Hartford was criticized under 50 Ill. Adm. Code 919.80(d)(7)(B) for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved in excess of 75 calendar days from the date the loss was reported.

A General Trend Criticism is applicable in the Homeowner Closed Without Payment Survey.

41. The Homeowner payment median was 16 days.

42. The Hartford was criticized under 50 Ill. Adm. Code 919.80(d)(7)(B) for failing to provide the insured with a reasonable written explanation for the delay when the claim remained unresolved in excess of 75 calendar days from the date the loss was reported.

A General Trend Criticism is applicable in the Dwelling Fire Median & Paid Survey.

43. The Dwelling Fire payment median was 12 days.

44. The Hartford was criticized in the Department Complaints Survey under 50 Ill. Adm. Code 926.50 for failing to maintain its complaint log as outlined in Exhibit A and as defined in Exhibit B.

45. The Hartford was criticized in the Consumer Complaints Survey under 50 Ill. Adm. Code 926.50 for failing to maintain its complaint log as outlined in Exhibit A and as defined in Exhibit B.

46. The Hartford was criticized under 215 ILCS 5/143d for failing to provide a written response to written inquiries and complaints from policyholders and to provide that written response within 21 days.

A Class Criticism was issued in the Consumer Complaints Survey.

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In addition to the above, the examiner provides these Interrelated Findings:

47. The Hartford was criticized for failing to provide delay letters as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2), 50 Ill. Adm. Code 919.80(b)(3), and 50 Ill. Adm. Code 919.80(d)(7)(B).

A General Trend Criticism is applicable for the following surveys: Private Passenger Auto Closed Without Payment (First Party Auto C.W.P.), Private Passenger Auto Third Party Median and Paid, Private Passenger Auto Third Party Closed Without Payment (Third Party Auto C.W.P.), Private Passenger Auto Total Losses, Homeowner Median & Paid, Homeowner Closed Without Payment (Homeowner C.W.P.), and Dwelling Fire Median & Paid.

<u>Survey</u>	<u># of times delay letter was due</u>	<u># of times not sent or sent incorrectly</u>
First Party Auto Median & Paid	0	N/A
First Party Auto C.W.P.	33	8
Third Party Auto Median & Paid	12	3
Third Party Auto C.W.P.	37	5
Total Losses	13	3
Homeowner Median & Paid	9	1
Homeowner C.W.P.	4	1
Dwelling Fire Median & Paid	4	2
Dwelling Fire C.W.P.	<u>0</u>	<u>N/A</u>
	112	23
	113	

48. When policies covering property were canceled or nonrenewed due to rehab issues, the company failed to offer time to repair defects in the property, or did so improperly, prior to sending the termination notice as is required by and as outlined in 215 ILCS 5/143.27. The company was in violation 75 of 75 times (100%).

The company was criticized in the Homeowner Cancellation and Dwelling Fire Nonrenewal surveys. A Class Criticism is applicable for the Homeowner Nonrenewal survey.

<u>Survey</u>	<u># times policies terminated due to rehab</u>	<u># times in violation of 215 ILCS 5/143.27</u>
Homeowner Cancellations	1	1
Homeowner Nonrenewals	23	23
Dwelling Fire Nonrenewals	<u>1</u>	<u>1</u>
	25	25

49. When issuing homeowner or dwelling fire policies in which the property is ~~located in a mine subsidence county~~, the company is required by 215 ILCS 5/805.1 to issue the policy with mine subsidence coverage unless waived in writing by the insured. The company failed to do so in eight (8) of 56 instances (14.29%).

A General Trend Criticism is applicable in the following survey: AARP Dwelling  
Fire New Business.

## II. BACKGROUND

All underwriting personnel are employed by Hartford Financial Services Group, Inc. All claims personnel are employed by Hartford Fire Insurance Company and handle claims regardless of which Hartford company has issued the insured a policy.

- New automobile business is currently written by:

Trumbull Insurance Company (AARP- Consumer Direct)  
Hartford Fire Insurance Company (AARP- Independent Agents)  
Hartford Underwriters Insurance Company (Non-AARP-Consumer Direct)  
Twin City Fire Insurance Company (Non-AARP – Independent Agents)

- The following companies include only renewal auto policies:

Harford Insurance Company of Illinois (AARP-Independent Agents)  
Property & Casualty Insurance Company of Hartford (AARP-Consumer Direct)  
Hartford Insurance Company of the Midwest (AARP-Consumer Direct)  
Hartford Accident and Indemnity Company (Non-AARP-Consumer Direct)  
Hartford Casualty Insurance Company (Non-AARP-Independent Agents)  
Sentinel Insurance Company (Non-AARP-Independent Agent)

- New homeowner business is currently written by:

Trumbull Insurance Company (AARP – Consumer Direct)  
Hartford Casualty Insurance Company (AARP – Independent Agents)  
Hartford Insurance Company of the Midwest (Non-AARP- Consumer Direct)  
Hartford Accident and Indemnity Insurance Company (Non-AARP-Independent Agents)

- From August 1, 2010 to April 2, 2011, homeowner new business was written by:

Property and Casualty Insurance Company of Hartford (AARP-Consumer Direct)  
Sentinel Insurance Company (Non-AARP-Independent Agents)

- The following companies include only renewal homeowner policies:

Hartford Underwriters Insurance Company (AARP-Consumer Direct)  
Hartford Insurance Company of Illinois (Non-AARP-Independent Agents)

- Dwelling Fire new business and renewals are written by:

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Hartford Underwriters Insurance Company (AARP-Consumer Direct)  
Hartford Casualty Insurance Company (Non-AARP-Independent Agents)  
Hartford Fire Insurance Company (Non-AARP-Independent Agents)  
Hartford Insurance Company of Illinois (Non-AARP-Independent Agents)

The following companies were reviewed:

### **HARTFORD INSURANCE COMPANY OF ILLINOIS**

Hartford Insurance Company of Illinois ("the Company") commenced business on January 1, 1980 following incorporation as a casualty insurer on November 5, 1979. The Company changed its home office from Naperville, Illinois to Aurora, Illinois on September 15, 2000.

2011 State Page Exhibit – 019

	Direct premiums Written	Direct premiums earned	Direct losses paid	Direct losses incurred
01 Fire	140,237	153,582	0	341
04 Homeowners multiple peril	10,943,217	11,748,110	7,745,555	9,663,478
19.2 Other private passenger auto liability	8,814,019	9,507,955	6,215,491	5,104,127
21.1 Private passenger auto physical damage	7,947,360	8,547,418	3,053,851	3,053,851

### **PROPERTY & CASUALTY INSURANCE COMPANY OF HARTFORD**

The Company was incorporated on May 4, 1989 under the laws of the State of Indiana and commenced business on January 1, 1994.

2011 State Page Exhibit – 019

	Direct premiums Written	Direct premiums earned	Direct losses paid	Direct losses incurred
01 Fire	0	0	0	-24
04 Homeowners multiple peril	21,013,997	22,052,484	15,064,340	13,647,653
19.2 Other private passenger auto liability	7,337,633	7,837,790	4,584,707	4,542,183
21.1 Private passenger auto physical damage	4,770,301	5,005,383	3,184,439	3,230,796

### SENTINEL INSURANCE COMPANY

In 1963, Hartford Fire Insurance Company acquired Pacific Insurance Company, Limited and its subsidiary, Sentinel Insurance Company, Ltd. On October 14, 1999, Sentinel Insurance Company, Ltd. was redomesticated from the State of Hawaii to the State of Connecticut. At that time, its name was changed from Sentinel Insurance Company of Connecticut to Sentinel Insurance Company, Ltd.

2011 State Page Exhibit – 019

	Direct premiums Written	Direct premiums earned	Direct losses paid	Direct losses incurred
01 Fire	0	0	0	0
04 Homeowners multiple peril	10,058,092	11,222,481	8,342,027	9,222,280
19.2 Other private passenger auto liability	3,537,194	3,944,854	3,416,674	3,140,805
21.1 Private passenger auto physical damage	2,183,779	2,477,638	1,227,929	1,279,081

### TRUMBULL INSURANCE COMPANY

Trumbull Insurance Company was incorporated on October 10, 1986 under the laws of the State of Connecticut and commenced business on December 30, 1986.

Formerly, Hartford Insurance Company of Connecticut, the name was changed to Trumbull Insurance Company in April 1992. Trumbull Insurance Company is the surviving corporation of a merger with Hartford Insurance Company of Alabama, an Alabama corporation incorporated in August 1979.

2011 State Page Exhibit – 019

	Direct premiums Written	Direct premiums earned	Direct losses paid	Direct losses incurred
01 Fire	0	0	0	0
04 Homeowners multiple peril	1,851,227	634,260	108,753	133,982
19.2 Other private passenger auto liability	25,777,956	24,841,651	14,088,776	14,850,436
21.1 Private passenger auto	13,170,069	13,440,034	11,167,915	11,446,247



physical damage				
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### HARTFORD FIRE INSURANCE COMPANY

The Company derives its corporate existence and powers from a charter granted in May 1810 by the General Assembly of the State of Connecticut. From 1970 until 1995, the Company was a subsidiary of ITT Corporation. From December 20, 1995, until the present time, the Company has been an affiliate of The Hartford Financial Services Group, Inc., a publicly traded Company on the NYSE.

2011 State Page Exhibit -- 019

	Direct premiums Written	Direct premiums earned	Direct losses paid	Direct losses incurred
01 Fire	180,503	182,936	20,813	61,497
04 Homeowners multiple peril	194,037	193,137	147,412	161,549
19.2 Other private passenger auto liability	419,913	401,631	68,680	133,260
21.1 Private passenger auto physical damage	164,854	141,413	82,239	84,134

### HARTFORD UNDERWRITERS INSURANCE COMPANY

The Company was incorporated by the State of Connecticut on December 22, 1987 pursuant to Connecticut General Statutes, Section 33-236.

On July 1, 1988, New York Underwriters Insurance Company, a New York domiciled corporation was merged into the Company and changed its name to Hartford Underwriters Insurance Company. New York Underwriters was incorporated on August 11, 1925, and began business on January 1, 1926.

2011 State Page Exhibit -- 019

	Direct premiums Written	Direct premiums earned	Direct losses paid	Direct losses incurred
01 Fire	394,468	371,442	143,851	288,693
04 Homeowners multiple peril	1,847	2,122	-27,008	-24,005
19.2 Other	947,649	997,754	755,307	695,347

private passenger auto liability				
21.1 Private passenger auto physical damage	530,967	558,861	435,581	452,202

### TWIN CITY FIRE INSURANCE COMPANY

The original Company was incorporated on July 10, 1910 under the laws of Minnesota and began business in April 1913. The Company was acquired by the Hartford Fire Insurance Company in February 1921. A new company, "Twin City Fire Insurance Company of Indiana," was incorporated on March 1987 with the intent of merging the original Company into the new. On July 1, 1987 the two companies were merged with the resultant change of domicile to the State of Indiana. Effective on the merger date the new Company changed its name by dropping "of Indiana."

2011 State Page Exhibit – 019

	Direct premiums Written	Direct premiums earned	Direct losses paid	Direct losses incurred
01 Fire	0	0	0	-13
04 Homeowners multiple peril	1,298	1,236	0	-1
19.2 Other private passenger auto liability	7,630,312	7,742,105	4,320,063	4,415,462
21.1 Private passenger auto physical damage	4,213,404	4,341,403	3,204,351	3,245,423

### HARTFORD CASUALTY INSURANCE COMPANY

The Company was incorporated under the laws of New Jersey as "Citizens Insurance Company of New Jersey" and commenced business on December 31, 1929. The name was changed to "Hartford Casualty Insurance Company" in November 1971.

A new company, "Hartford Casualty Insurance Company of Indiana", was incorporated on March 5, 1987, with the intent of merging the two companies. Effective July 1, 1987, the two companies were merged with the resultant change of domicile to Indiana.

Effective on the merger date the new company changed its name by dropping "of Indiana".

2011 State Page Exhibit – 019

	Direct premiums Written	Direct premiums earned	Direct losses paid	Direct losses incurred
01 Fire	98,837	97,999	378,021	392,176
04 Homeowners multiple peril	286,015	90,246	22,576	85,002
19.2 Other private passenger auto liability	42,008	48,048	17,667	19,567
21.1 Private passenger auto physical damage	27,204	31,154	20,049	19,429

**HARTFORD ACCIDENT AND INDEMNITY COMPANY**

The Company was incorporated on August 12, 1913 under the laws of Connecticut and commenced business the same day. A restated charter was accepted by shareholders in 1966.

2011 State Page Exhibit – 019

	Direct premiums Written	Direct premiums earned	Direct losses paid	Direct losses incurred
01 Fire	0	0	0	0
04 Homeowners multiple peril	478,001	168,997	19,290	42,239
19.2 Other private passenger auto liability	192,350	212,724	204,140	-12,140
21.1 Private passenger auto physical damage	180,506	197,461	83,399	87,854

### III. METHODOLOGY

The Market Conduct examination places emphasis on evaluating an insurer's systems and procedures in dealing with insureds and claimants.

The following categories are the general areas examined:

1. Risk Selection
2. Underwriting
3. Claims
4. Complaints

The review of these categories is accomplished through examination of individual underwriting and claim files, written interrogatories, interviews with company personnel, analysis of policy forms and endorsements, and verification of computer rating accuracy. Each of these categories is examined for compliance with Department Rules and Regulations and applicable State law.

The report concerns itself with improper practices performed with such frequency as to indicate general business practices. Individual files criticized are identified and communicated to the insurer but not cited in the report if not indicative of a general trend, except if there were underpayments and/or overpayments in claim surveys or undercharges and/or overcharges in underwriting surveys.

The following methods were used to obtain the required samples to assure methodical selection.

#### Risk Selection

Cancellations and nonrenewals were requested on the basis of the effective date of the transaction falling within the period under examination. They were reviewed for compliance with statutory requirements, the accuracy and validity of reasons given and for any possible discrimination.

#### Underwriting

New files were selected based on the inception date falling within the period under examination. New policies were reviewed for rating accuracy, use of filed rates, use of filed forms, compliance with company underwriting guidelines and to insure that the protection provided was as requested. The AARP business is handled by the same underwriters as other Personal Lines business. The same manuals and standards are used for both AARP and non-AARP business.

#### Claims

Claims were requested based on the settlement occurring within the period under examination. AARP and non-AARP claims are handled by the same claim adjusters.

The same claims manuals are used for both AARP and non-AARP claims. All claims were reviewed for compliance with policy contracts and endorsements, applicable sections of the Illinois Insurance Code (215 ILCS 5/1 et seq.) and Part 919 (50 Ill. Adm. Code 919).

#### Complaints

Complaints reviewed were those received in calendar year 2010 and those received in 2011 prior to the commencement of the Market Conduct Exam.

## Selection of Samples

		Total Files	# Reviewed	% Reviewed
A. Risk Selection				
1.	Private Passenger Auto Cancellations	192	80	41.67
2.	Private Passenger Auto Nonrenewals	427	99	23.19
3.	Homeowner Cancellations	354	97	27.40
4.	Homeowner Nonrenewals	802	103	12.84
5.	Dwelling Fire Cancellations	30	30	100.00
6.	Dwelling Fire Nonrenewals	19	19	100.00
7.	Producer Terminations	22	22	100.00
B. Underwriting				
1.	Private Passenger Auto New Business	8634	200	2.32
2.	Homeowner New Business	6581	226	3.43
3.	Dwelling Fire New Business	335	127	37.91
C. Claims				
1.	Private Passenger Auto First Party Median & Paid	5015	174	3.47
2.	Private Passenger Auto First Party Closed Without Payment	1326	114	8.60
3.	Private Passenger Auto Third Party Median & Paid	3453	185	5.36
4.	Private Passenger Auto Third Party Closed Without Payment	768	104	13.54
5.	Private Passenger Auto Total Losses – First Party	1053	118	11.21
6.	Private Passenger Auto Subrogation	711	80	11.25
7.	Homeowner Median & Paid	2543	114	4.48
8.	Homeowner Closed Without Payment	1203	103	8.56
9.	Dwelling Fire Median & Paid	46	46	100.00
10.	Dwelling Fire Closed Without Payment	20	20	100.00
D. Complaints				
1.	Department Complaints	128	111	86.72
2.	Consumer Complaints	187	108	57.75

#### IV. FINDINGS

##### A. Risk Selection

###### 1. Private Passenger Auto Cancellations

A total of 80 policy cancellations were examined. As required by 215 ILCS 5/143.14, when canceling a policy the company is required to mail a notice of cancellation to the insured and to maintain proof of mailing of such notice. In 13 of the 80 files (16.24%), the company was in violation of 215 ILCS 5/143.14 for failing to maintain proof of mailing. The proofs of mailing were unreadable and, therefore, the date of mailing could not be determined. A General Trend Criticism was issued.

A total of 80 policy cancellations were examined. In 65 cancellations, the policy had been in effect more than 60 days when the notice of cancellation was mailed to the insured. When a policy has been in effect for more than 60 days or if such policy is a renewal policy, the company may cancel only for reasons listed in 215 ILCS 5/143.19. The reason(s) provided on nine (9) of those cancellations (13.85% of the applicable 65 files) failed to be one of those listed and created a violation of 215 ILCS 5/143.19. A General Trend Criticism was issued.

A total of 80 policy cancellations were examined. In three (3) of the cancellation notices mailed to the insured (3.75% of the 80), the reason provided failed to be a specific explanation of the reason or reasons for cancellation. The Company was in violation of 215 ILCS 5/143.15.

###### 2. Private Passenger Auto Nonrenewals

Ninety-seven files were examined. Thirty-two files (32.99% of the 97) were in violation of 215 ILCS 5/143.17. In 24 files, the company failed to maintain proof of mailing of the notice of nonrenewal. In 23 files, proofs were provided but were unreadable and, therefore, the date of mailing could not be determined and, as a result, no proof of mailing maintained. In an additional one (1) file, the company could provide no proof of mailing. In nine (9) more files, the company failed to provide the insured the specific explanation of the reasons for nonrenewal. One of the nine (9) files was also criticized for an unreadable proof of mailing. A General Trend Criticism was issued.

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###### 3. Homeowner Cancellations

Ninety-seven cancellations were examined. As required by 215 ILCS 5/143.14, when canceling a policy the company is required to mail a notice of cancellation to the insured and to maintain proof of mailing of such notice. In 25 of the 97 files (25.77%), the company was in violation

of 215 ILCS 5/143.14 for failing to maintain proof of mailing. The proofs of mailing were unreadable for 24 files and, therefore, the date of mailing could not be determined and in one (1) additional file, there was no proof of mailing maintained. A General Trend Criticism was issued.

One policy was canceled due in part or entirely due to repair/rehab issues and a rehab letter was required. As outlined in 215 ILCS 5/143.27, prior to sending the insured a notice of cancellation a company must allow the named insured a reasonable period of time in which to repair the defects in the insured property (not to exceed 90 days). A notice of the need for the repairs shall be from the insurance company. The company failed to provide the insured with that notice and/or allow a reasonable period of time to make the repairs. The company was in violation of 215 ILCS 5/143.27 with an error ratio of 100.00%.

#### 4. Homeowner Nonrenewals

Twenty-three policies were nonrenewed in part or entirely due to repair/rehab issues. As outlined in 215 ILCS 5/143.27, prior to sending to the insured any notice of cancellation or nonrenewal due to rehab issues, a company must allow the named insured a reasonable period of time in which to repair the defects in the insured property. A notice of the need for the repairs shall be from the insurance company. In 23 files (100.00% of the 23 files requiring the notice), the company failed to provide the notice and/or allow a reasonable period of time to make repairs which is a violation of 215 ILCS 5/143.27. A Class Criticism is applicable for the error percentage of 100.00%.

Eighteen files (17.48% of the 103 nonrenewals reviewed) were in violation of 215 ILCS 5/143.17. In 17 files the company failed to maintain proof of mailing of the notice of nonrenewal. The proofs provided were unreadable and, therefore, the date of mailing could not be determined and, as a result, no proof of mailing maintained. In an additional file, the company failed to provide the insured the specific explanation of the reasons for nonrenewal. A General Trend Criticism was issued.

In 63 files the policy had been effective or renewed five (5) or more years. As outlined in 215 ILCS 5/143.21.1 when a policy has been effective or renewed five (5) or more years, the company may nonrenew only for misrepresentation or fraud or the risk originally accepted has measurably increased, or if none of those reasons, the company may nonrenew if the insured is provided 60 days notice. In two (2) files (3.17% of the 63), the reason provided the insured was not one of the reasons nor was 60 days notice given.

#### 5. Dwelling Fire Cancellations



In 10 files, the policy had been effective for 60 days or more. As outlined in 215 ILCS 5/143.21, when a policy has been effective for 60 days or if such policy is a renewal policy, the company shall not exercise its right to cancel except for nonpayment of premium, misrepresentation or fraud or for any act which measurably increases the risk originally accepted. In two (2) files (20.00% of the 10), the reason provided the insured was not one of the reasons listed. A General Trend Criticism is applicable for the error percentage of 20.00%.

As outlined in 215 ILCS 5/143.14, when canceling a policy the company is required to mail a notice of cancellation to the insured and to maintain proof of mailing of such notice. In four (4) files (13.79% of the 29 reviewed), the company was in violation of 215 ILCS 5/143.14 for failing to maintain proof of mailing. The proofs of mailing were unreadable for three (3) files and the date of mailing could therefore not be determined. In one (1) additional file, there was no proof of mailing maintained at all. A General Trend Criticism is applicable for the error percentage of 13.79%.

6. Dwelling Fire Nonrenewals

One policy was nonrenewed in part or entirely due to repair/rehab issues. As outlined in 215 ILCS 5/143.27, prior to sending to the insured any notice of cancellation or nonrenewal due to rehab issues, a company must allow the named insured a reasonable period of time in which to repair the defects in the insured property. A notice of the need for the repairs shall be provided by the insurance company. In one (1) file (100.00% of the files requiring the notice), the company was in violation of 215 ILCS 5/143.27 with an error percentage of 100.00%.

In nine (9) files, the policy had been effective or renewed five (5) or more years. As outlined in 215 ILCS 5/143.21.1, when a policy has been effective or renewed five (5) or more years, the company may nonrenew only for misrepresentation, fraud, or the risk originally accepted has measurably increased, or if none of those reasons, the company may nonrenew if the insured is provided 60 days notice. In one (1) file (11.11% of the nine (9)), the reason provided the insured was not one of the reasons nor was 60 days notice given. A General Trend Criticism is applicable for the error percentage of 11.11%.

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Two files (10.53% of the 19 nonrenewals reviewed) were in violation of 215 ILCS 5/143.17. In both files the company failed to maintain proof of mailing of the notice of nonrenewal. The proofs provided were unreadable and the date of mailing could therefore not be determined and no proof of mailing was maintained. A General Trend Criticism is applicable for the error percentage of 10.53%.

7. Producer Terminations

Twenty-two producer terminations were reviewed. Thirteen of the producer terminations were by signed mutual agreement and nine (9) were not. In nine (9) of these nine (9) files, (100.00% or 40.91% of the 22) the company was in violation of 215 ILCS 5/141.02(3). The company failed to maintain the proof of mailing in eight (8) files and in another file the termination was effective January 11, 2011 but the producer signed an agreement on March 14, 2011. The date signed was not at the time of written termination and therefore a violation. A Class Criticism is applicable for the error percentage of 100.00%.

B. Underwriting

1. Private Passenger Auto New Business

- AARP

One hundred AARP auto new business files were examined and rated. Fifty policies were issued through consumer direct business by Trumbull Insurance Company. Fifty policies were issued through independent agents by Hartford Fire Insurance Company. Three new business files were criticized (3.00% of the 100 examined), two (2) by Trumbull, and one (1) by Hartford Fire Insurance Company. The companies failed to follow the rules filed with the Illinois Department of Insurance pursuant to 50 Ill. Adm. Code 754.10. There were three (3) overcharges totaling \$45.00 annually and two (2) undercharges totaling \$169.00 annually (some policies have multiple vehicles). The overcharges were refunded.

- Non-AARP

One hundred non-AARP auto new business files were examined and rated. Fifty policies were issued through consumer direct business by Hartford Underwriters Insurance Company. Fifty policies were issued through independent agents by Twin City Fire Insurance Company. Fourteen new business files were criticized (14.00% of the 100 examined), six (6) by Hartford Underwriters Insurance Company and eight (8) by Twin City Fire Insurance Company. The companies failed to follow the rules filed with the Illinois Department of Insurance pursuant to 50 Ill. Adm. Code 754.10. There were nine (9) overcharges totaling \$13.00 annually and 15 undercharges totaling \$831.00 annually (some policies have multiple vehicles). A General Trend Criticism applies. The overcharges were refunded.

2. Homeowner New Business

There were 110 policies issued (through independent agents for both AARP and non-AARP). The agents are charged with maintaining the application. The company failed to provide the applications for 36 of these 110 policies (32.73%). The company was in violation of 215 ILCS 5/132(2) for failing to provide all books, records, documents requested. A General Trend Criticism applies.

In 34 of the files examined, the property being insured was located in a mine subsidence county. The company is to issue mine subsidence coverage in those counties unless waived in writing by the insured as mandated by 215 ILCS 5/805.1. The company failed to issue the coverage in two (2) files (5.88% of the 34) creating undercharges totaling \$187.00 annually.

- AARP

One hundred thirteen homeowner new business files were examined and rated. Fifty policies were issued through consumer direct business by Property & Casualty Insurance Company of Hartford. Thirty-seven policies were issued through consumer direct business by Trumbull Insurance Company. Twenty-six policies were issued through independent agents by Hartford Casualty Insurance Company. Five new business files were criticized (4.42% of the 113 examined), two (2) by Property & Casualty Insurance Company of Hartford, and three (3) by Trumbull Insurance Company. The companies failed to follow the rules filed with the Illinois Department of Insurance pursuant to 50 Ill. Adm. Code 754.10. There were three (3) overcharges totaling \$33.00 annually and two (2) undercharges totaling \$267.00 annually. The overcharges were refunded.

- Non-AARP

One hundred thirteen homeowner new business files were examined and rated. Fifty policies were issued through independent agents by Sentinel Insurance Company. Thirty-four policies were issued through independent agents by Hartford Accident and Indemnity Company. Twenty-nine policies were issued through consumer direct business by Hartford Insurance Company of the Midwest. Eight new business files were criticized (7.07% of the 113), one (1) by Sentinel Insurance Company, four (4) by Hartford Accident and Indemnity Company, and three (3) by Hartford Insurance Company of the Midwest. The companies failed to follow the rules filed with the Illinois Department of Insurance pursuant to 50 Ill. Adm. Code 754.10. There were six (6) overcharges totaling \$369.00 annually and two (2) undercharges totaling \$27.00 annually. The overcharges were refunded.

3. Dwelling Fire New Business

In 22 new business policy files (seven (7) AARP and 15 Non-AARP), the property being insured was located in a mine subsidence county. The company is to issue mine subsidence coverage in those counties unless waived in writing by the insured as mandated by 215 ILCS 5/805.1. The company failed to issue the coverage in six (6) policies (27.27% of the 22, one (1) AARP and five (5) non-AARP) creating undercharges totaling \$365.00. A General Trend Criticism is applicable for the error percentage.

- AARP (Consumer Direct)

Fifty new business files were examined and rated. All are issued by Hartford Underwriters Insurance Company. In 12 of these files (24.00%), the company was criticized for failing to follow the rules for applying rates or rating plans filed with the Department of Insurance pursuant to 50 Ill. Adm. Code 754.10. There were six (6) files in which the company failed to follow the rule for rounding creating \$6.00 in undercharges and in four (4) files, there were rounding overcharges of \$4.00. In two (2) additional files, the company assigned the incorrect territory number (no difference in rates). A General Trend Criticism was issued.

- Non-AARP (Independent Agents)

The company could provide no evidence that H0-277, "BUILDING ORDINANCE OR LAW COVERAGE" has been filed with the Department of Insurance. The company is in violation with 50 Ill. Adm. Code 753.10. A Class Criticism was issued.

The company was criticized for failing to follow the rules for applying rates or rating plans filed with the Department of Insurance pursuant to 50 Ill. Adm. Code 754.10 in 44 files (88% of the 50 examined) and created undetermined undercharges and overcharges. The errors included incorrect rounding, giving alarm credit without the proper verification, proof of other insurance to obtain account credit, rating as masonry when the dwelling was frame. A Class Criticism was issued.

The company failed to provide the examiner 31 applications from the 77 requested (40.26%) in violation of 215 ILCS 5/132(2). The company requires the independent agents to maintain the application. A General Trend Criticism was issued.

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## C. Claims

### 1. Private Passenger Auto First Party Median & Paid

The median payment period was 5 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	168	96.55
31-60	6	3.45
61-90	0	0.00
91-180	0	0.00
181-365	0	0.00
<u>over 365</u>	<u>0</u>	<u>0.00</u>
Total	174	100.00

There were no trends or areas of concern.

2. Private Passenger Auto First Party Closed Without Payment

One hundred fourteen files were examined. One file was closed without payment when the Company sent the insured a denial letter. In that file the Company failed to include the Availability of the Department of Insurance on the notice which is a violation of 50 Ill. Adm. Code 919.50(a)(1). The error percentage is 100.00%.

One hundred fourteen files were examined. Thirty-three of those files remained unresolved for more than 40 calendar days from the date the loss was reported requiring a reasonable written explanation for the delay to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). In eight (8) files (24.24% of the applicable 33 files requiring delay letters), the company was in violation of 50 Ill. Adm. Code 919.80(b)(2). The company failed to send a delay letter in four (4) files. The explanation failed to be reasonable and explain why the insured had not been paid or the auto rendered repaired in two (2) files. In one (1) file, the explanation failed to be timely and in another file the delay letter failed to include the Availability of the Department of Insurance. A 24.24% error percentage of applicable files is indicative of a General Trend. A General Trend Criticism applies.

3. Private Passenger Auto Third Party Median & Paid

The median payment period was 17 days with arbitration, subrogation and litigation files included and 12 days when excluded and distributed as follows:

*With arbitration, subrogation and litigation files*

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<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	129	69.73
31-60	13	7.03
61-90	18	9.73
91-180	20	10.81

27

181-365	4	2.16
<u>over 365</u>	<u>1</u>	<u>0.54</u>
Total	185	100.00

*Without arbitration, subrogation and litigation files*

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	126	86.90
31-60	8	5.52
61-90	5	3.45
91-180	6	4.14
181-365	0	0.00
<u>over 365</u>	<u>0</u>	<u>0.00</u>
Total	145	100.00

One hundred eighty-five files were examined. Twelve files remained unresolved in excess of 60 calendar days from the date the loss was reported. A reasonable written explanation for the delay was to be provided the third party claimant as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3). In three (3) files (25.00% of the 12), the Company failed to provide the explanation to the third party. An error percentage of 25.00% of the applicable files is indicative of a General Trend. A General Trend Criticism applies.

4. Private Passenger Auto Third Party Closed Without Payment

One hundred four files were examined. Nine files were closed without payment when the company sent the third party a denial letter. In four (4) of those files (44.44% of the nine (9)), the reason for the denial failed to be reasonable and fully explain why the claim was denied which is in violation of 50 Ill. Adm. Code 919.50(a)(2). A 44.44% error percentage of applicable files is indicative of a General Trend. A General Trend Criticism applies.

One hundred four files were examined. Thirty-seven of these files remained unresolved in excess of 60 calendar days from the date the loss was reported. A reasonable written explanation for the delay was to be provided the third party claimant as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(3). In five (5) files (13.51% of the 37), the company was in violation of 50 Ill. Adm. Code 919.80(b)(3). In three (3) files, a delay letter was not sent. In one (1) file, the delay letter was sent late (day 63) and in another file the Availability of the Department of Insurance was not included in the delay letter. An error percentage of 13.51% of the applicable files is indicative of a General Trend. A General Trend Criticism applies.

In two (2) files (1.92% of the 104 examined), the company failed to make a bona fide effort to contact the third party within 21 days after notification of loss when liability was reasonably clear as is required by 215 ILCS 5/154.6(c) and as defined in 50 Ill. Adm. Code 919.40. In one (1) file, the first attempt to contact the third party was on day 38 and in the other file, no attempt to contact was made. The company reopened that file which resulted in a payment of \$14,015.35 to the third party.

5. Private Passenger Auto Total Losses – First Party

50 Ill. Adm. Code 919.80(c) requires that when the insured vehicle has been determined a total loss the company shall provide the insured with, at a minimum, the information contained in Exhibit A. The company provided the insured some of the information contained in Exhibit A, but not all of the information contained in Exhibit A. Section “1) Total Loss Claims” and the verbiage under that Section was omitted. The company corrected the error during the examination. A Class Criticism was issued.

One hundred eighteen total loss files were examined. In 51 files, the company paid sales tax and/or transfer and title fees on the replacement vehicle for the insured total loss. Company practice is to pay taxes and/or fees only upon proof of a replacement vehicle and taxes and fees incurred. As outlined in 50 Ill. Adm. Code 919.80(c)(3)(A)(i), the company is required to reimburse only the amount of the applicable sales tax and transfer and title fees incurred by the insured. The applicable fees are \$120.00. Title fees are \$95.00 and transfer fees are \$25.00. In 26 files (50.98% of the 51), the company failed to pay the applicable fees creating 24 overpayments totaling \$2,763.84 and two (2) underpayments totaling \$136.40. Payment to the insureds has been made on the underpayments. A Class Criticism was issued.

Thirteen files remained unresolved in excess of 40 calendar days from the date the loss was reported requiring a reasonable written explanation for the delay to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(b)(2). In three (3) files (23.08% of the applicable 13 files requiring delay letters), the company was in violation of 50 Ill. Adm. Code 919.80(b)(2). The company failed to send a delay letter in two (2) files and in one (1) file, the explanation failed to be reasonable and fully explain the reason for the delay. An error percentage of 23.08% of the applicable files is indicative of a General Trend. A General Trend Criticism applies.

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Company practice is to pay sales tax and/or transfer and title fees only with proof of a replacement vehicle, the proof being a copy of the bill of sale and/or information regarding payment of sales tax and fees. In four (4) files (7.84% of the 51 files in which taxes and/or fees were paid), the company had no documentation of the replacement vehicle with taxes and

fees paid. The claim notes indicated the insured purchased a replacement vehicle but the documentation was not in the file and the examiner could not verify if proper taxes and fees were paid. The company was in violation of 50 Ill. Adm. Code 919.30(c) for lack of the proper documentation and a General Trend Criticism was issued.

To determine the market value of the insured total loss vehicle, a company must use one (1) of the sources described under 50 Ill. Adm. Code 919.80(c)(2). The company failed to use one (1) of those sources in four (4) files (3.39% of the 118 total loss files reviewed).

In three (3) files (2.54% of the 118 examined), the company was in violation of 50 Ill. Adm. Code 919.80(c) for failing to send the insured the informational letter commonly known as the right of recourse letter and/or Exhibit A in a timely manner. The letter is required to be sent within seven (7) days of the insured vehicle being determined a total loss. In these three (3) files, the letter was sent on days 10, 13 and 34, respectively.

The company was criticized for making two (2) claim overpayments totaling \$44.50. The company inadvertently paid a fee of \$8.50 in one (1) file which was not required and in another file, it transposed \$11,104.00 to \$11,140.00 and made a \$36.00 overpayment.

6. Private Passenger Auto Subrogation

There were no criticisms.

7. Homeowner Median & Paid

The median payment period was 16 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	85	74.56
31-60	14	12.28
61-90	8	7.02
91-180	6	5.26
181-365	0	0.00
<u>over 365</u>	<u>1</u>	<u>0.88</u>
Total	114	100.00

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Nine files remained unresolved for more than 75 calendar days from the date the loss was reported requiring a reasonable written explanation for the delay to be provided to the insured as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B). In one (1) file (11.11% of the nine (9) applicable files requiring delay letters), the company was in violation of 50 Ill. Adm. Code 919.80(d)(7)(B). The company failed to send a delay letter. The 11.11%



error percentage of applicable files is indicative of a General Trend. A General Trend Criticism applies.

8. Homeowner Closed Without Payment

Four files remained unresolved for more than 75 calendar days from the date the loss was reported requiring a reasonable written explanation for the delay to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B). In one (1) file (25.00% of the applicable four (4) files requiring delay letters), the company was in violation of 50 Ill. Adm. Code 919.80(d)(7)(B). The company failed to send a delay letter. The 25.00% error percentage of applicable files is indicative of a General Trend. A General Trend Criticism applies.

9. Dwelling Fire Median & Paid

The median payment period was 12 days distributed as follows:

<u>Days</u>	<u>Number</u>	<u>Percent</u>
0-30	34	73.91
31-60	6	13.04
61-90	3	6.52
91-180	2	4.35
181-365	1	2.17
<u>over 365</u>	<u>0</u>	<u>0.00</u>
Total	46	100.00

Four files remained unresolved for more than 75 calendar days from the date the loss was reported requiring a reasonable written explanation for the delay to be provided the insured as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B). In two (2) files (50.00% of the applicable four (4) files requiring delay letters), the company was in violation of 50 Ill. Adm. Code 919.80(d)(7)(B). The company failed to send delay letters. The 50.00% error percentage of applicable files is indicative of a General Trend.

10. Dwelling Fire Closed Without Payment

There were no criticisms.

D. Complaints

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1. Department Complaints

The company was criticized for being in violation of 50 Ill. Adm. Code 926.50 for maintaining Department of Insurance Complaints other than as outlined in Exhibit A and as defined in Exhibit B.

## 2. Consumer Complaints

The company was criticized in violation of 50 Ill. Adm. Code 926.50 for maintaining Consumer Complaints other than as outlined in Exhibit A and as defined in Exhibit B.

One hundred eight Consumer Complaints were reviewed. Ninety-eight of those complaints were from policyholders and were sent to the company in a written format. Companies are required by 215 ILCS 5/143d to provide a written response to written inquiries and complaints within 21 days of receipt. In 60 files (61.22% of the 98 written complaints received and 55.55% of the 108 complaints reviewed), the company was in violation of 215 ILCS 5/143d and a Class Criticism was issued. In 58 files, the company failed to respond in a written manner, and in two (2) files, the written response exceeded 21 days.

V. INTERRELATED and/or ADDITIONAL FINDINGS

1. When delay letters were due or were sent to private passenger auto insureds or third party claimants, and homeowner or dwelling fire insureds, the company failed to provide the reasonable written explanation for the delay as required by and as outlined in 50 Ill. Adm. Code 919.80(b)(2) and 50 Ill. Adm. Code 919.80(b)(3) and 50 Ill. Adm. Code 919.80(d)(7)(B) in 23 out of 112 times (20.54%). A General Trend Criticism is applicable for the following surveys: Private Passenger Auto Closed Without Payment, Private Passenger Auto Third Party Median and Paid, Private Passenger Auto Third Party Closed Without Payment, Private Passenger Auto Total Losses, Homeowner Median & Paid, Homeowner Closed Without Payment, and Dwelling Fire Median & Paid.

<u>Survey</u>	<u># of times delay letter was due</u>	<u># of times not sent or sent incorrectly</u>
First Party Auto Median & Paid	0	N/A
First Party Auto C.W.P.	33	8
Third Party Auto Median & Paid	12	3
Third Party Auto C.W.P.	37	5
Total Losses	13	3
Homeowner Median & Paid	9	1
Homeowner C.W.P.	4	1
Dwelling Fire Median & Paid	4	2
Dwelling Fire C.W.P.	<u>0</u>	<u>N/A</u>
	112	23

2. When policies covering property were canceled or nonrenewed due to rehab issues, the company failed to offer time to repair defects in the property, or did so improperly, prior to sending the termination notice as is required by and as outlined in 215 ILCS 5/143.27. The company was in violation 75 of 75 times (100%). The company was criticized in the Homeowner Cancellation Survey and the Dwelling Fire Nonrenewals Survey. A Class Criticism applies for the Homeowner Nonrenewals Survey.

<u>Survey</u>	<u># times policies terminated due to rehab</u>	<u># times in violation of 215 ILCS 5/143.27</u>
Homeowner Cancellations	1	1
Homeowner Nonrenewals	23	23
Dwelling Fire Nonrenewals	<u>1</u>	<u>1</u>
	25	25

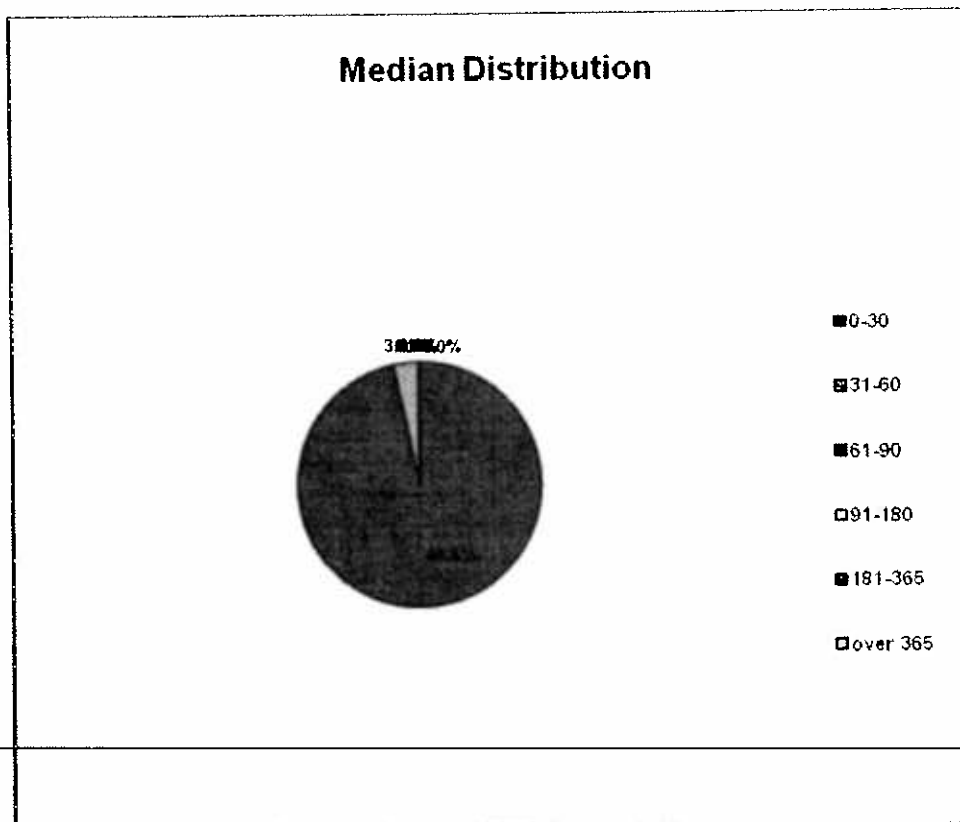
3. When issuing homeowner or dwelling fire policies in which the property is located in a mine subsidence county, the company is required by 215 ILCS 5/805.1 to issue the policy with mine subsidence coverage unless waived in

writing by the insured. The company failed to do so in eight (8) of 56 instances (14.29%).

## VI. TECHNICAL APPENDICES

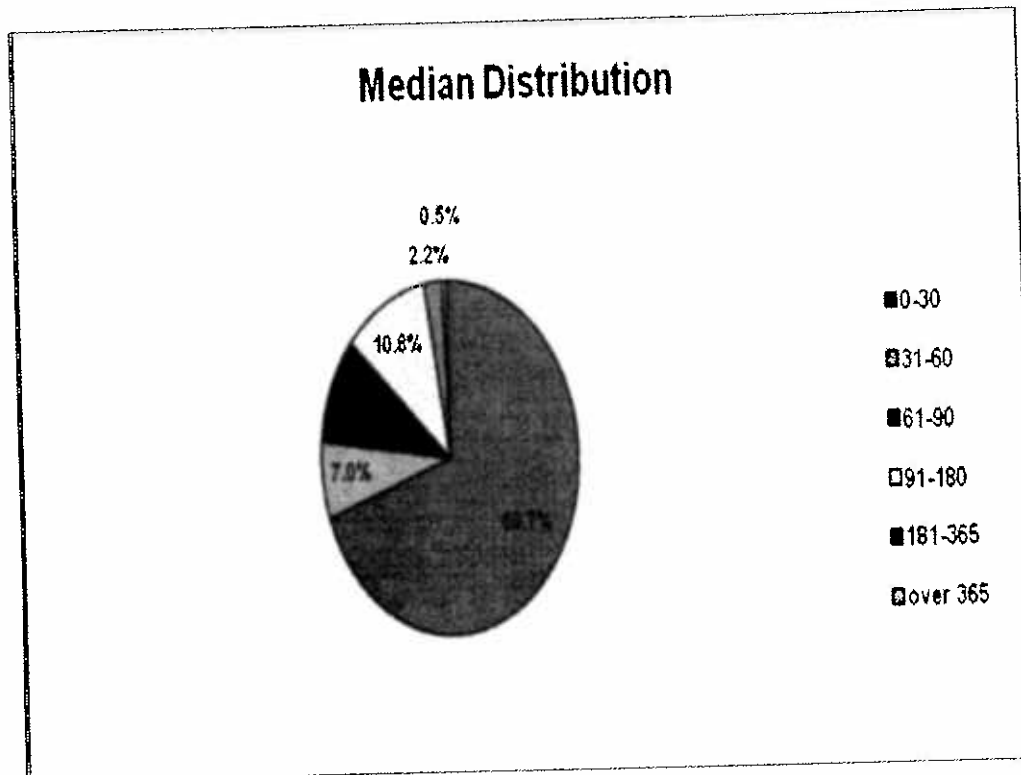
### A. Private Passenger Auto First Party Median - 5 days

No. Days Category	MEDIAN DISTRIBUTION	
	Number	Percent
0-30	168	96.55%
31-60	6	3.45%
61-90	0	0.00%
91-180	0	0.00%
181-365	0	0.00%
over 365	0	0.00%
Total	174	100.00%



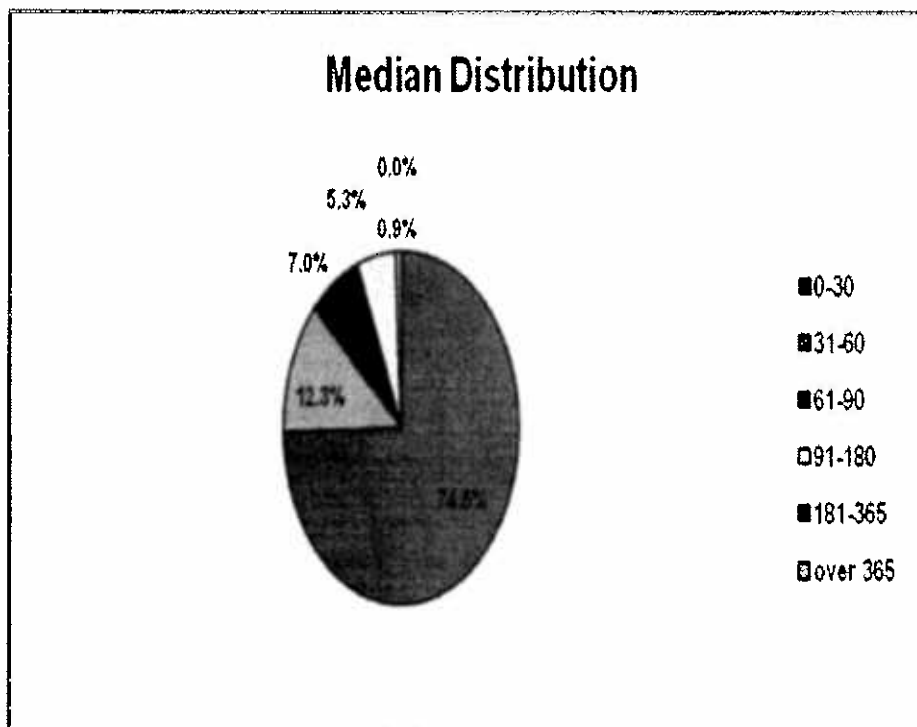
B. Private Passenger Auto Third Party Median - 17 days

	<b>MEDIAN DISTRIBUTION</b>	
No. Days Category	Number	Percent
0-30	129	69.73%
31-60	13	7.03%
61-90	18	9.73%
91-180	20	10.81%
181-365	4	2.16%
over 365	1	0.54%
Total	185	100.00%



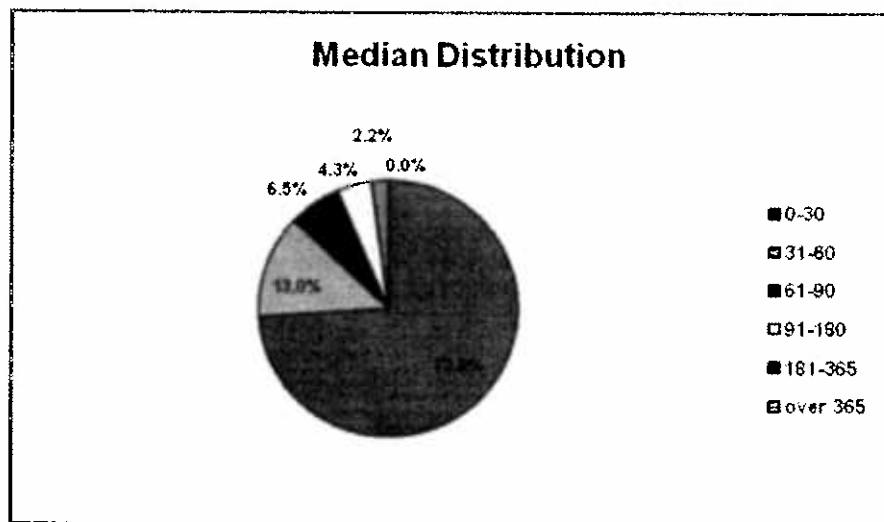
C. Homeowner Median - 16 days

	<b>MEDIAN DISTRIBUTION</b>	
<b>No. Days Category</b>	<b>Number</b>	<b>Percent</b>
0-30	85	74.6%
31-60	14	12.3%
61-90	8	7.0%
91-180	6	5.3%
181-365	0	0.0%
over 365	1	0.9%
<b>Total</b>	<b>114</b>	<b>100.0%</b>



D. Dwelling Fire Median - 12 days

MEDIAN DISTRIBUTION		
# Days	Number	Percent
0-30	34	73.91%
31-60	6	13.04%
61-90	3	6.52%
91-180	2	4.35%
181-365	1	2.17%
over 365	0	0.00%
Total	46	100.00%





STATE OF ILLINOIS           )  
  ) ss  
COUNTY OF COOK           )

Roger Henschen, being first duly sworn upon his oath, deposes and says:

That he was appointed by the Director of Insurance of the State of Illinois (the "Director") as Examiner-In Charge to examine the insurance business and affairs of:

Hartford Insurance Company of Illinois, NAIC #38288  
Property & Casualty Insurance Company of Hartford, NAIC #34690  
Sentinel Insurance Company, NAIC #11000  
Trumbull Insurance Company, NAIC #27120  
Hartford Fire Insurance Company, NAIC #19682  
Hartford Underwriters Insurance Company, NAIC #30104  
Twin City Fire Insurance Company, NAIC #29459  
Hartford Casualty Insurance Company, NAIC # 29424  
Hartford Accident and Indemnity Company, NAIC #22357  
Hartford Insurance Company of the Midwest, NAIC #37478

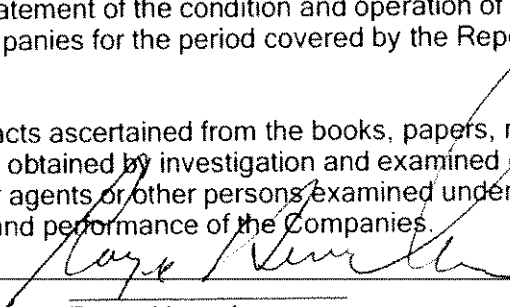
That, as Examiner-In-Charge, he was directed to make a full and true report to the Director of the examination with a full statement of the condition and operation of the business and affairs of the Companies with any other information as shall in the opinion of the Examiner-In-Charge be requisite to furnish the Director with a statement of the condition and operation of the Companies' business and affairs and the manner in which the Companies conduct their business;

That neither he nor any other persons designated as examiners nor any members of their immediate families is an officer of, connected with, or financially interested in the Companies nor any of the Companies' affiliates other than as policyholders, and that neither he nor any other persons designated as examiners nor any members of their immediate families is financially interested in any other corporation or person affected by the examination;

That an examination was made of the affairs of the Companies pursuant to the authority vested in the Examiner-In-Charge by the Director of Insurance of the State of Illinois;

That he was the Examiner-in-Charge of said examination and the attached report of examination is a full and true statement of the condition and operation of the insurance business and affairs of the Companies for the period covered by the Report as determined by the examiners;

That the Report contains only facts ascertained from the books, papers, records, or documents, and other evidence obtained by investigation and examined or ascertained from the testimony of officers or agents or other persons examined under oath concerning the business, affairs, conduct, and performance of the Companies.

  
\_\_\_\_\_  
Roger Henschen  
Examiner-In-Charge

Subscribed and sworn to before me  
this 1 day of August, 2013.

  
\_\_\_\_\_  
Notary Public



# STATE OF ILLINOIS

## DEPARTMENT OF INSURANCE



IN THE MATTER OF:

HARTFORD INSURANCE COMPANY OF ILLINOIS  
PROPERTY & CASUALTY INSURANCE COMPANY OF HARTFORD  
SENTINEL INSURANCE COMPANY  
TRUMBULL INSURANCE COMPANY  
HARTFORD FIRE INSURANCE COMPANY  
HARTFORD UNDERWRITERS INSURANCE COMPANY  
TWIN CITY FIRE INSURANCE COMPANY  
HARTFORD CASUALTY INSURANCE COMPANY  
HARTFORD ACCIDENT AND INDEMNITY COMPANY  
HARTFORD INSURANCE COMPANY OF THE MIDWEST  
("THE HARTFORD COMPANIES")

### STIPULATION AND CONSENT ORDER

WHEREAS, the Director (Director) of the Illinois Department of Insurance (Department) is a duly authorized and appointed official of the State of Illinois, having authority and responsibility for the enforcement of the insurance laws of this State; and

WHEREAS, The Hartford Companies are authorized under the insurance laws of this State and by the Director to engage in the business of soliciting, selling and issuing insurance policies; and

WHEREAS, a Market Conduct Examination of The Hartford Companies was conducted by duly qualified examiners of the Department pursuant to Sections 131.21, 132, 401, 401.5, 402 and 425 of the Illinois Insurance Code (215 ILCS 5/131.21, 5/132, 5/401, 5/401.5, 5/402 and 5/425); and

WHEREAS, the Department examiners have filed an examination report as an official document of the Department as a result of the Market Conduct Examination; and

WHEREAS, said report cited various areas in which The Hartford Companies were not in compliance with the Illinois Insurance Code (215 ILCS 5/1 *et seq.*) and Department Regulations (50 Ill. Adm. Code 101 *et seq.*); and

WHEREAS, nothing herein contained, nor any action taken by The Hartford Companies in connection with this Stipulation and Consent Order, shall constitute, or be construed as, an admission of fault, liability or wrongdoing of any kind whatsoever by The Hartford Companies.

WHEREAS, The Hartford Companies are aware of and understand their various rights in connection with the examination and report, including the right to counsel, notice, hearing and appeal under Sections 132, 401, 402, 407 and 407.2 of the Illinois Insurance Code and 50 Ill. Adm. Code 2402; and

WHEREAS, The Hartford Companies understand and agree that by entering into this Stipulation and Consent Order, they waive any and all rights to notice and hearing; and

WHEREAS, The Hartford Companies and the Director, for the purpose of resolving all matters raised by the report and in order to avoid any further administrative action, hereby enter into this Stipulation and Consent Order.

NOW, THEREFORE, IT IS agreed by and between The Hartford Companies and the Director as follows:

1. That the Market Conduct Examination indicated various areas in which The Hartford Companies were not in compliance with provisions of the Illinois Insurance Code and/or Department Regulations; and
2. That the Director and The Hartford Companies consent to this order requiring The Hartford Companies to take certain actions to come into compliance with provisions of the Illinois Insurance Code and/or Department Regulations.

THEREFORE, IT IS HEREBY ORDERED by the undersigned Director that The Hartford Companies shall:

1. Institute and maintain procedures whereby The Hartford Companies maintain proof of mailing of the notice of cancellation of a private passenger automobile policy as required by 215 ILCS 5/143.14.
2. Institute and maintain procedures whereby The Hartford Companies shall not exercise the option to cancel a private passenger automobile policy that has been in effect for 60 days except for one or more of the reasons provided in 215 ILCS 5.143.19.
3. Institute and maintain procedures whereby The Hartford Companies maintain proof of mailing of the notice of nonrenewal of a private passenger automobile policy and provides a specific explanation of the reasons for nonrenewal of a private passenger automobile policy as required by 215 ILCS 5/143.17.
4. Institute and maintain procedures whereby The Hartford Companies maintain proof of mailing of the notice of cancellation of a homeowner policy as required by 215 ILCS 5/143.14.
5. Institute and maintain procedures whereby an insured whose homeowner policy is being canceled due to a need to repair defects in the property is provided a notice of need to repair and a reasonable time to make such repairs as outlined in 215 ILCC 5/143.27.
6. Institute and maintain procedures whereby an insured whose homeowner policy is being nonrenewed due to a need to repair defects in the property is provided a notice of need to repair and a reasonable time to make such repairs as outlined in 215 ILCC 5/143.27.

7. Institute and maintain procedures whereby The Hartford Companies maintain proof of mailing of the notice of nonrenewal of a homeowner policy and provide a specific explanation of the reasons for nonrenewal of a homeowner policy as required by 215 ILCS 5/143.17.
8. Institute and maintain procedures whereby The Hartford Companies shall not exercise the right to cancel a dwelling fire policy that has been effective for 60 days, or if such policy is a renewal policy, except for one or more of the reasons provided in 215 ILCS 5/143.21.
9. Institute and maintain procedures whereby The Hartford Companies maintain proof of mailing of the notice of cancellation of a dwelling fire policy as required by 215 ILCS 5/143.14.
10. Institute and maintain procedures whereby an insured whose dwelling fire policy is being nonrenewed due to a need to repair defects in the property is provided a notice of need to repair and a reasonable time to make such repairs as outlined in 215 ILCS 5/143.27.
11. Institute and maintain procedures whereby The Hartford Companies shall not exercise the right to nonrenew a dwelling fire policy that has been effective or renewed for five (5) or more years except for: (1) misrepresentation or fraud; (2) the risk originally accepted has measurably increased; or (3) the insured has received 60 days notice of the intention of The Hartford Companies not to renew as is outlined in 215 ILCS 5/143.21.1.
12. Institute and maintain procedures whereby The Hartford Companies maintain proof of mailing of the notice of nonrenewal of a dwelling fire policy as required by 215 ILCS 5/143.17.
13. Institute and maintain procedures whereby The Hartford Companies maintain proof of mailing of the notice of producer termination as required by 215 ILCS 5/141.02(3) or has evidence of a mutually signed agreement.
14. Institute and maintain procedures whereby The Hartford Companies follow the rules/rates filed with the Illinois Department of Insurance pursuant to 50 Ill. Adm. Code 754.10 when rating and issuing non-AARP private passenger automobile policies.
15. Institute and maintain procedures whereby The Hartford Companies monitor and enforce the maintenance of AARP and non-AARP homeowner applications by independent agents so as to provide applications when requested and to avoid being in conflict with 215 ILCS 5/132(2).
16. Institute and maintain procedures whereby AARP and non-AARP dwelling fire insureds who have dwellings insured in mine subsidence counties are provided mine subsidence coverage, unless waived by the insured in writing, so as not to be in violation of 215 ILCS 5/805.1.

17. Institute and maintain procedures whereby The Hartford Companies follow the rules filed with the Illinois Department of Insurance pursuant to 50 Ill. Adm. Code 754.10 when rating and issuing AARP dwelling fire policies.
18. Institute and maintain procedures whereby endorsements used in dwelling fire policies are filed with the Illinois Department of Insurance as not to be in conflict with 50 Ill. Adm. Code 753.10.
19. Institute and maintain procedures whereby The Hartford Companies follow the rules/rates filed with the Illinois Department of Insurance pursuant to 50 Ill. Adm. Code 754.10 when rating and issuing non-AARP dwelling fire policies.
20. Institute and maintain procedures whereby The Hartford Companies monitor and enforce the maintenance of non-AARP dwelling fire applications by independent agents so as to provide applications when requested and to avoid being in conflict with 215 ILCS 5/132(2).
21. Institute and maintain procedures whereby the Availability of the Department of Insurance is included on a denial letter sent to the insured as required by 50 Ill. Adm. Code 919.50(a)(1).
22. Institute and maintain procedures whereby a private passenger automobile insured whose collision claim remains unresolved for more than 40 days and will be closed without payment is provided a reasonable written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(b)(2).
23. Institute and maintain procedures whereby a third party claimant who receives property damage payments from The Hartford Companies under an insured private passenger automobile policy is provided a reasonable written explanation for the delay when the claim remains unresolved for more than 60 calendar days as required by 50 Ill. Adm. Code 919.80(b)(3).
24. Institute and maintain procedures whereby a reasonable written explanation for the denial sent to a third party claimant fully explains why the claim has been denied so as not to be in conflict with 50 Ill. Adm. Code 919.50(a)(2).
25. Institute and maintain procedures whereby a third party claimant whose property damage claim is closed without payment but had remained unresolved for more than 60 calendar days is provided a timely reasonable written explanation for the delay, including the Availability of the Department of Insurance, as outlined in 50 Ill. Adm. Code 919.80(b)(3).
26. Institute and maintain procedures whereby all of the required minimum information contained in Exhibit A is provided to the insured when the insured vehicle is determined to be a total loss as is required by 50 Ill. Adm. Code 919.80(c).

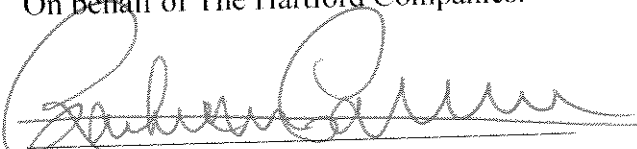
27. Institute and maintain procedures whereby the applicable transfer and title fees are paid to the insured for the total loss to the insured vehicle as outlined in 50 Ill. Adm. Code 919.80(c)(3)(A)(i).
28. Institute and maintain procedures whereby a private passenger automobile insured who experiences a total loss to its vehicle and whose claim remains unresolved for more than 40 days is provided a written explanation for the delay and that explanation is reasonable as is required by 50 Ill. Adm. Code 919.80(b)(2).
29. Institute and maintain procedures whereby documentation of the bill of sale and/or information on taxes/fees of the replacement vehicle of the insured total loss is maintained as mandated by 50 Ill. Adm. Code 919.30(c).
30. Institute and maintain procedures whereby a homeowner insured whose claim remains unresolved for more than 75 calendar days and who eventually receives payment is provided a reasonable written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B).
31. Institute and maintain procedures whereby a homeowner insured whose claim remains unresolved for more than 75 calendar days and is eventually closed without payment is provided a reasonable written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B).
32. Institute and maintain procedures whereby a dwelling fire insured whose claim remains unresolved for more than 75 calendar days and eventually receives payment is provided a written explanation for the delay as outlined in 50 Ill. Adm. Code 919.80(d)(7)(B).
33. Institute and maintain procedures whereby the Department of Insurance complaint log is maintained as outlined in Exhibit A and as defined in Exhibit B as is required by 50 Ill. Adm. Code 926.50.
34. Institute and maintain procedures whereby complaints received directly from the consumer are maintained as outlined in Exhibit A and as defined in Exhibit B as is required by 50 Ill. Adm. Code 926.50.
35. Institute and maintain procedures whereby a written response is provided within 21 days to written inquiries and complaints from policyholders as mandated by 215 ILCS 5/143d.
36. Institute and maintain procedures whereby homeowner and dwelling fire insureds are provided an opportunity to rehab their property as outlined in 215 ILCS 5/143.27 prior to being sent a termination notice.
37. Institute and maintain procedures whereby any policy covering property that is located in a mine subsidence county is provided mine subsidence coverage unless waived in writing by the insured as required by 215 ILCS 5/805.1

38. Submit to the Director proof of compliance with the above 37 Orders within 30 days of receipt of these Orders.
39. Pay to the Director a civil forfeiture in the amount of \$50,000 to be paid within 30 days of receipt of these Orders.

NOTHING contained herein shall prohibit the Director from taking any and all appropriate regulatory action as set forth in the Illinois Insurance Code, including but not limited to levying additional forfeitures, should The Hartford Companies violate any of the provisions of this Stipulation and Consent order or any provisions of the Illinois Insurance Code or Department Regulations.

On behalf of The Hartford Companies:

DEPARTMENT OF INSURANCE of the  
State of Illinois:

  
Signature

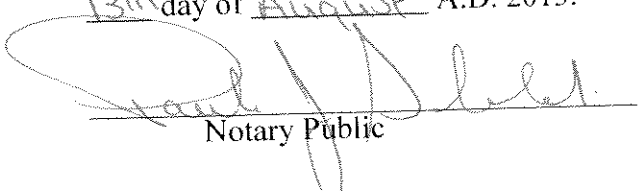
Rachel M. Pattison  
Name

Associate Counsel  
Title

Andrew Boron  
Andrew Boron  
Director

DATE: August 16, 2013

Subscribed and sworn to before me this  
13th day of August A.D. 2013.

  
Notary Public



# Illinois Department of Insurance

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PAT QUINN  
Governor

ANDREW BORON  
Director

December 18, 2013

Rachel Pattison  
Associate Counsel  
Commercial Markets Claim Compliance  
The Hartford Financial Services Group, Inc.  
Law Department, Mailstop T-9-106  
One Hartford Plaza  
Hartford, CT 06155

Re: ***Hartford Companies***  
***Market Conduct Examination Report***

Dear Ms. Pattison;

The company has submitted to the Department proofs of compliance with Order # 1 through Order # 37 and has submitted the \$50,000 civil forfeiture as outlined in the Stipulation and Consent Order issued by the Department. These proofs of compliance have been reviewed and are satisfactory.

The Department is closing its file on this exam. I intend to ask the Director to make the Examination Report available for public inspection as authorized by 215 ILCS 5/132.

Sincerely,

A handwritten signature in cursive script, reading "Caryn C. Carmean".

Caryn C. Carmean, A.C.A.S., M.A.A.A.  
Acting Deputy Director Consumer Outreach and Protection  
Illinois Department of Insurance  
320 West Washington Street  
Springfield, IL 62767  
217-557-7311  
[Caryn.Carmean@illinois.gov](mailto:Caryn.Carmean@illinois.gov)